

Connectedness of Financial Literacy with Financial Resilience: An Indian Prospective

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ABSTRACT

Over the past two decades, the Indian economy has experienced a significant expansion in its financial market due to liberalization, privatization, and globalization, leading to a wide range of financial products and investment alternatives. However, it is crucial to note that having proper knowledge about financial behavior is essential. Limited financial literacy among individuals can hinder their ability to make informed financial decisions, underscoring the importance of improving financial literacy rates in India, particularly among women and young people, to enable them to manage their savings efficiently. The pandemic has highlighted the significance of financial literacy in times of global crises and high unemployment rates. This study aims to explore the relationship between financial literacy and financial resilience and determine the current level of financial literacy in India through a literature-based study. Data were collected from various secondary sources such as research papers, articles, journals, and official websites. This paper emphasizes the need for comprehensive knowledge of financial literacy and other related concepts to manage even small finances and overcome financial difficulties, particularly during the on-going pandemic. The authors highlight the low level of financial literacy in India and suggest that financial literacy education should be introduced at the school level, with the implementation of various national-level programs through innovative initiatives to raise awareness about financial literacy.

KEYWORDS: *Financial Literacy, Financial Attitude, Financial Resilience, Financial Knowledge*

INTRODUCTION

Over the last two decades, there have been significant changes in the Indian economy due to the emergence of liberalization, privatization, and globalization. The Indian financial market offers ample opportunities to generate income by managing personal finances, and therefore, it is crucial to educate individuals about financial management. Financial literacy plays a vital role in managing the savings of the masses and is essential for making informed investment decisions. To achieve this objective, people must invest in various alternatives. India uses only 2.4% of the world's land, but it accounts for 17.5% of the world's population. The financial system of a region can significantly impact economic well-being. Since independence, the Indian government has been striving to eliminate poverty and transform India into a self-sufficient global region while incorporating

financial literacy in the lives of every citizen. The low level of financial literacy in India has led to financial problems such as low investment returns, debt traps, and other financial diseases. Garman and Fogue (1997) defined financial literacy as "sufficient knowledge about facts on personal finance and is the key to personal financial management." This study highlights the low level of knowledge in personal finance, the complexity of financial situations, the stress associated with a broad range of financial decision-making options, and time constraints as barriers to financial literacy. Financial literacy encompasses several qualities such as skills, awareness, attitude, knowledge, and behavior, which are necessary for making sound financial decisions and ultimately achieving individual well-being. Generally, the public can be considered financially

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knowledgeable if they have knowledge about financial market offerings, basic financial terms, or how to manage their financial resources. A financially literate people should:

- have a broad idea of the current amount of their own financial means,
- know how to manage a family budget and to monitor its fulfilment,
- know how to plan expenses at least a month ahead,
- Be prepared for an unforeseen loss of main income (financial reserves) (MFCR, 2010b).

Financial Resilience: Financial resilience is the capability to endure and recuperate from momentary financial adversity and disruptions. It is not short term response to an acute need, resilience is a continuous, long term and sustainable process that can be planned. The purpose of financial resilience strategy is to making the people strong for long time. By cultivating habits of savings, debt reduction, and smart money management, financially resilient customers will be able to withstand what McKinsey calls the “next normal”, the uncertain future of major world events that may impact the global financial system. **Financial attitude** is a position of mind of a person about finances which is generally a resultant of his background and environment and **financial behaviour** concerns with a individuals action with respect to money management².

The paper deals with need for proper knowledge about financial literacy and other parallel terminology in this era of financial wellbeing to manage even a small finance and overcome the financial difficulties in pandemic situations as whole world facing at this time due to Covid-19.

Review of Literature:

Huston (2010), as per the study of the author we can see the significance of financial literacy which shows that as far as the level of financial literacy enhance, it enable the consumer to take financial decision in better way. **Sabri Mohamad Fazli, Donald Mac (2010)**, studied the correlation between financial literacy and financial problem. And study reported that there is negative correlation of financial literacy with financial problem and level of stress goes down as the level of financial literacy goes up. **Agarwal S. (2010)**³, studied behaviour of investment, choice of

liability, risk lenience and insurance of Hyderabad people who are interested in personal finance. Under the study 1694 respondents have been covered for the purpose of the study as data provided by Investment Yogi Financial Advisory Service. Study confined that most of men who have acquired higher education and aggressive investment behaviour are more literate in terms of financial management than women and less educated people. **Puneet Bhushan et al. (2013)**⁴, structured a survey of 516 salaried people of Himachal Pradesh to evaluate the financial literacy level. Under the study multistage sampling technique has been used and the study found that overall literacy level is near to the ground and males are more literate in terms of finance than females. Also studied that except geographical area different factors like nature of job, levels of income, work place and education level have influenced the financial literacy. **Jariwala H.V.(2014)**¹, studied level of financial literacy in individual investors focused on Gujarat state of India by considering 44 variables. Study found that out of 285 respondents, 39.2 % respondents have higher level of financial literacy and this financial literacy have statistically significant effect on investment decision.

Visa Financial literacy survey (2014)ⁱⁱ, study depicts that Indian are least aware of about financial knowledge across the globe with youngsters and women are struggling more with financial knowledge. It was also found that only one fourth of total Indian' population are financially literate and it has ranked 23rd out of 28 countries.

Narendra K.N. (2014)⁵, discussed the role of financial Planner in the era of overloaded information. Study suggested that persistently stake holders should make effect to educate and bring down revolution in India.

Gupta K. (2014)⁶, studied the stage of financial literacy amongst 87 small businessman of Kangra District (Himalaya Pradesh) on the basis of record keeping, various institutional awareness, savings, venture plans, money management. Study originate that most of the respondents are responsive to bank loans and less aware about financial institution. Overall depicted that low level of financial skills they have and less aware of financial product. **Bahadur L**

² <https://wizely.in/wizeup/financial-attitude-behaviour-explained/>

³ Agarwal Sumit, Amromin Gene, Evan off Douglas D (2010), Financial Literacy and Financial Planning: Evidence from India, SSRN Electronic Journal · December 2010.

⁴ Puneet Bhushan, Yajulu Medury (2013), Financial Literacy and its Determinants, International Journal of Engineering, Business and Enterprise Applications (IJEBA), Vol. 4, Issue -2 , PP. 155-160.

⁵ <https://www.ijrbm.org/papers/v4-i6/4.pdf>

⁶ Kamal Gupta and Jatinder Kaur (2014) A study of Financial Literacy among Micro Entrepreneurs in District Kangra, IJRBm, Vol-2, Issue-2, PP. 63-70.

K (2015)⁷, investigated that financial literacy and financial inclusion are two pillar of the economy and perspectives about financial instrument with current scenario. Under the study, data collected from Mumbai and thane district through 202 respondents. Study found that financial literacy level is very low in the cities and suggested that there is need to encourage financial literacy from school level and national program as well to strengthen the gross root level. **Agarwal P.(2015)**ⁱⁱⁱ, emphasis on significance of financial literacy on management of finance and investment pattern of both teaching and non-teaching staff of education sector of Jhansi District. Under the study 20 teaching and 20 Non- teaching female staff has been selected for the research. The study shows that generally the respondents have awareness about Investment possibility and invested their money in banks and post-office fixed deposits. **Ratna Achuta Paluri (2016)**⁸, analyse the factor influencing financial attitude of Indian women to classify Indian women based on attitude with 9 variables – Precautionary savings, anxiety, materialistic and fatalistic attitude, interest in financial issues, propensity, intuitive decisions to plan short and long term financial goal. Under the study confirmatory factor analysis has been used for clustering the women of Nasik City. Study depicts that only one third of respondent not to prefer financial product rather fixed deposit and insurance. Also examined that cluster 1 and 3 are more attractive than cluster 4. **Amagir, Groot, Maassen van den Brink, and Wilschut (2018)**⁹ suggested that improved level of financial knowledge can make a difference in risk perceptions for investment avenues.

Objective of the study:

1. To inspect the altitude of financial literacy
2. To scrutinize the association between financial literacy and financial distress.
3. To explore different terms of financial wellbeing.
4. To analysis the link between financial literacy and financial behaviour of Individual.

Significance of the study: The study will helpful for the people especially for the women and youngsters who have very low level of financial literacy or they do not have basic knowledge of financial behaviour. With the study people will be able to understand the different terms of finance and can manage their saving in most appropriate manner in this pandemic situation.

⁷ <https://www.ijrbsm.org/papers/v4-i6/4.pdf>

⁸ <https://www.ijrbsm.org/papers/v4-i6/4.pdf>

⁹ https://www.researchgate.net/profile/Urooj_Fat

Research Methodology: The study is of analytical and descriptive nature and literature based exploration of financial terms which have been used in the study. Under the study, data composed from secondary sources comprises research paper, article, research journal, websites and reports.

Analysis of the study: Under the study it has been analyse that financial literacy have major impact on decision regarding investment and management of finance. On the basis of previous literature the study examine that financial literacy and financial resilience are positively related to each other as the level of financial literacy increase the level of financial resilience is to be change in same direction. In case of financial distress there is significant but negative relationship with financial literacy. Financial distress is to be reduced as far as the level of financial literacy increased.

Findings:

- Financial literacy level is very low in the cities and recommended that it is needed to encourage financial literacy from school level and national program as well to strengthen the gross root level.
- From the study we found that socio-demographic attributes have high influence on financial literacy.
- In the Study it was found that out of 285 respondents, 39.2 % respondents have higher level of financial literacy and this financial literacy has statistically significant effect on investment decision.
- In case of men there is poor financial attitude; on the other women have poor financial behaviour.
- Youngsters and women are struggling more with financial knowledge.
- This to be found that an individual who is living in joint family have low altitude of financial literacy.
- High stage of financial literacy depicts low stage of financial distress.
- Consultative decision making regarding investment show positive influence on financial literacy.

Conclusion:

In the current scenario, the world is facing a pandemic situation and financial turmoil due to Covid-19 and the growth rate of many countries is declining rapidly. In such a crisis situation, the importance of financial literacy has become increasingly evident. Various studies have revealed that the level of financial literacy in India is very low,

particularly among women and young people who lack basic financial knowledge. Therefore, it is crucial for the government and educational institutions to introduce financial literacy education from the school level and initiate national-level programs to promote financial literacy. Despite several initiatives by the government and RBI, the level of financial literacy remains low, making it necessary to take new initiatives. As the level of financial literacy increases among the masses, they will be able to manage their savings more efficiently, which will strengthen their financial capability to face difficulties during crises. Moreover, as financial literacy enhances among the people, they will manage their finances through different alternatives that can assist in the growth rate of the country during worldwide crisis situations.

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